

Attachment 6B: Elimination Adjusting Entries

*Ensure an accurate descriptive comment is used when entering a journal voucher in DDRS-AFS. Include the Federal trading partner causing the adjustment if it is identifiable. When adjustments are made in response to challenges of data reported by waived buyers, **always** include entity code in the resulting journal voucher.*

RECORDING BUYER SIDE DEPARTMENTAL LEVEL INTRA-DOD TRANSACTION BALANCE ADJUSTMENTS

The summary proprietary balances of the sellers are compared to the related proprietary balances of the buyer. At the departmental level, the buyer-side balances are adjusted so that the proprietary accounts equal the totals from the sellers' records for intra-DoD transactions. In addition, the buyer-side related budgetary accounts are adjusted as necessary. These adjusting entries must be reversed at the start of the next fiscal year.

Appropriate adjustments should be determined in coordination with respective customers. It is incorrect to assume there might be a standard approach, as possibilities vary:

1. The customer may determine that expenses and accounts payable may be overstated or understated. This would require posting both proprietary and budgetary entries for any decreases or increases.
2. The customer may determine that expenses and accounts payable are simply misclassified between federal and non federal. This would require proprietary entries to move amounts between the respective accounts using the "F" (federal) and "N" (non-federal) attributes.

Example entries A through C below assume expenses are understated and reflect appropriate proprietary and budgetary entries for both general funds and working capital funds. Entries in D and E below assume accounts payable and expenses are misclassified between "F" and "N".

A. Entry 1-Accounts Receivable/Accounts Payable

The seller-side balances reflect Accounts Receivable of \$700,000. The buyer-side balances reflect Accounts Payable of \$300,000. The buyer-side records are adjusted to record the unrecorded increase in Accounts Payable of \$400,000.

1. Entry 1.A-Accounts Payable Accrual Adjustment for General Fund Reporting Entities.

| | | | | |
|----|-------|--|--|---------|
| Dr | 6100F | Operating Expenses/Program Costs | 400,000 | |
| | Cr | 2110F | Accounts Payable | 400,000 |
| Dr | 4801 | Undelivered Orders - Obligations, Unpaid | 400,000 | |
| | Cr | 4901 | Delivered Orders - Obligations, Unpaid | 400,000 |
| Dr | 3107 | Unexpended Appropriations - Used | 400,000 | |
| | Cr | 5700 | Expended Appropriations | 400,000 |

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2. Entry 1.B-Accounts Payable Accrual Adjustment for Working Capital Fund Reporting Entities.

| | | | | |
|----|-------|--|--|---------|
| Dr | 6100F | Operating Expenses/Program Costs | 400,000 | |
| | Cr | 2110F | Accounts Payable | 400,000 |
| Dr | 4801 | Undelivered Orders - Obligations, Unpaid | 400,000 | |
| | Cr | 4901 | Delivered Orders - Obligations, Unpaid | 400,000 |

B. Entry 2-Advances from Others (Unearned Revenue)/Advances to Others

The seller-side balances reflect Unearned Revenue (Account 2310, Advances from Others) of \$100,000. The buyer-side records reflect Advances (Account 1410, Advances to Others) of \$700,000. The buyer-side records are adjusted to record the unrecorded decrease in Advances of \$600,000.

1. Entry 2.A-Advances to Others Accrual Adjustment for General Fund Reporting Entities.

| | | | | |
|----|-------|----------------------------------|---------------------------|---------|
| Dr | 6100F | Operating Expenses/Program Costs | 600,000 | |
| | Cr | 1410F | Advances to Others | 600,000 |
| Dr | 4802 | Unexpended Obligations - Paid | 600,000 | |
| | Cr | 4902 | Expended Authority - Paid | 600,000 |
| Dr | 3107 | Unexpended Appropriations - Used | 600,000 | |
| | Cr | 5700 | Expended Appropriations | 600,000 |

2. Entry 2.B-Advances to Others Accrual Adjustment for Working Capital Fund Reporting Entities.

| | | | | |
|----|-------|----------------------------------|---------------------------|---------|
| Dr | 6100F | Operating Expenses/Program Costs | 600,000 | |
| | Cr | 1410F | Advances to Others | 600,000 |
| Dr | 4802 | Unexpended Obligations - Paid | 600,000 | |
| | Cr | 4902 | Expended Authority - Paid | 600,000 |

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C. Entry 3–Deferred Credits/Prepayments

The seller-side balances reflect Unearned Revenue (Account 2320, Deferred Credits) of \$500,000. The buyer-side records reflect Prepayments (Account 1450, Prepayments) of \$900,000. The buyer-side records are adjusted to record the unrecorded decrease in the Prepayments of \$400,000.

1. Entry 3.A–Prepayments Accrual Adjustment for General Fund Reporting Entities.

| | | | | |
|----|-------|----------------------------------|---------------------------|---------|
| Dr | 6100F | Operating Expenses/Program Costs | 400,000 | |
| | Cr | 1450F | Prepayments | 400,000 |
| Dr | 4802 | Unexpended Obligations - Paid | 400,000 | |
| | Cr | 4902 | Expended Authority - Paid | 400,000 |
| Dr | 3107 | Unexpended Appropriations - Used | 400,000 | |
| | Cr | 5700 | Expended Appropriations | 400,000 |

2. Entry 3.B–Prepayments Accrual Adjustment for Working Capital Fund Reporting Entities.

| | | | | |
|----|-------|----------------------------------|---------------------------|---------|
| Dr | 6100F | Operating Expenses/Program Costs | 400,000 | |
| | Cr | 1450F | Prepayments | 400,000 |
| Dr | 4802 | Unexpended Obligations - Paid | 400,000 | |
| | Cr | 4902 | Expended Authority - Paid | 400,000 |

D. Entry 4 Accounts Receivable/Payable. The seller-side balances reflect Accounts Receivable of \$700,000. The buyer-side balances reflect Accounts Payable of \$300,000. It is determined that the buyer side accounts payable are misclassified between “F” and “N”.

| | | | | |
|----|-------|------------------|------------------|---------|
| Dr | 2110N | Accounts Payable | 400,000 | |
| | Cr | 2110F | Accounts Payable | 400,000 |

E. Entry 5 Revenues/Expenses

The seller-side balances reflect Revenues of \$1,400,000. The buyer-side balances reflect Accounts Payable of \$900,000. It is determined that the buyer side expenses are misclassified between “F” and “N”.

| | | | | |
|----|-------|----------------------------------|----------------------------------|---------|
| Dr | 6110F | Operating Expenses/Program Costs | 500,000 | |
| | Cr | 6110N | Operating Expenses/Program Costs | 500,000 |